

Message Text

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ACTION ARA-14

INFO OCT-01 ISO-00 CIAE-00 DODE-00 PM-05 H-01 INR-10
L-03 NSAE-00 PA-01 SP-02 SS-15 COME-00 EB-08
LAB-04 SIL-01 SY-05 NSCE-00 SSO-00 INRE-00 SPTA-02
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FM AMEMBASSY MANAGUA
TO SECSTATE WASHDC NIACT IMMEDIATE 7605
INFO USICA WASHDC
AMEMBASSY GUATEMALA
AMEMBASSY MEXICO
AMEMBASSY SAN SALVADOR
AMEMBASSY PANAMA
AMEMBASSY SAN JOSE
AMEMBASSY TEGUCIGALPA
USSOUTHCOM QUARRY HTS CANAL ZONE

C O N F I D E N T I A L MANAGUA 4020

C O R R E C T E D C O P Y - T E X T (T H R O U G H O U T)

E.O. 11652: GDS
TAGS: PINS, PINT, ELAB, NU
SUBJECT: SITREP 2: 28 AUGUST

SUMMARY: MANAGUA REMAINS QUIETNAS THE GENERAL STRIKE SLOWLY
SPREADS TO THE CAPITAL AFTER REPORTEDLY GETTING STRONGLY OFF
THE GROUND IN OUTLYING AREAS. END SUMMARY.

1. PRESS: RADIO CORPORACION WAS TAKEN OFF AIR FOR TWO HOURS THIS
MORNING. REPORTEDLY CNEL. ALBERTO LUNA, NATIONAL DIRECTOR OF
RADIO AND TELEVISION, SUSPENDED THE STATION FOR HAVING BROAD-
CAST TODAY AN INTERVIEW WITH ARCHBISHOP OBANDO Y BRAVO WHICH "IN-
CITED DISORDER". NO INDEPENDENT CONFIRMATION OF THE ALLEGED
SUSPENSION IS YET AVAILABLE. SEVERAL INDEPENDENT NEWS PRO-
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GRAMS DID NOT GO ON THE AIR TODAY. EMB BELIEVES THAT THESE PRO-
GRAMS ARE OFF THE AIR IN SYMATHY WITH STRIKE.

2. GENERAL STRIKE: IN MANAGUA, MOST BUSINESSES OPENED TODAY
AND, AS OF 2:00 PM LOCAL TIME, REMAINED OPEN. HOWEVER, SEVERAL
MAJOR FIRMS SUCH AS COCA COLA, STANDARD STEEL AND DIDATSA
(DATSUN) WERE CLOSED. ECONOFFS TOURED SOME MAJOR COMMERCIAL

CENTERS DISCOVERING APPROXIMATELY 75 PERCENT OF SHOPS OPEN. AT LEAST ONE LARGE COMMERCIAL FIRM IS ADAMANTLY AGAINST THE STRIKE AND SAYS IT WILL FIRE STRIKING EMPLOYEES. THE CHAMBER OF COMMERCE YESTERDAY VOTED OVERSHELMINGLY TO SUPPORT THE STRIKE. INDE AND THE OTHER CHAMBERS ARE MEETING TODAY. EMB EXPECTS AT LEAST GRUDGING SUPPORT OF STRIKE BY THM. MANY EXPORTERS FEAR THAT SUPPORT OF STRIKE WILL DESTROY THEIR MARKET SHARE--ESPECIALLY IN CENTRAL AMERICA. MANY FIRMS ARE NOT PREVENTING WORKERS FROM STRIKING AND SOME ARE PROVIDING FOOD AND ADVANCES ON SALARIES.

3. DISTURBANCES: EMB IS AWARE OF SERIOUS DISTURBANCES IN MATAGALPA. REPORTS OFFIREFIGHTS AND DEATHS HAVE NOT YET BEEN FULLY CONFIRMED. HOWEVER, DATT HAS BEEN INFORMED THAT GN WILL ISSUE COMMUNIQUE REGARDING SITUATION IN MATAGALPA PROBABLY INDICATING SERIOUSNESS OF CONDITIONS. LEON IS REPORTED TENSE AFTER REPORTED FOUR DEATHS YESTERDAY, AND IN ESTELL, ROAD BLOCKS HAVE REPORTEDLY BEEN ESTABLISHED.

4. FINANCIAL: COMOFF REPORTS THAT AN EXCELLENT SOURCE REPORTED SUBSTANCE OF A SATURDAY MEETING AT CENTRAL BANK. CENTRAL BANK HAS ORDERED AN OVERALL REDUCTION IN COMMERCIAL AND INDUSTRIAL LOANS OF 7 PERCENT BETWEEN 1 SEPTEMBER AND 31 DECEMBER. REDUCTION TO TAKE FORM OF NOT RENEWING SOME LOANS EXPIRING DURING BALANCE OF YEAR--ESPECIALLY THOSE OF FIRMS SUPPORTING STRIKE. IN-CONFIDENTIAL

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DICATIONS ARE THAT FINANCIAL SYSTEM SUFFERING EXTREME LIQUIDITY CRISIS WITH SAVINGS AND LOANS LOSING MONEY. THE GON FEARS THE EFFECTS OF A RUN ON FINANCIAL INSTITUTIONS SIMILAR TO THAT WHICH OCCURRED IN FEBRUARY. CENTRAL BANK RESERVES ARE LOW AND, SHOULD SUPPORT OF BANKS BE NECESSARY, COULD BE EXHAUSTED, LEADING TO ATTEMPTS AT MORE FOREIGN BORROWING. THE GON WANTS BANKS TO REMAIN OPEN (TO CLOSE, PERMISSION OF CENTRAL BANK OR, FOR SECURITY REASONS, POLICE IS REQUIRED,) EVEN IF EMPLOYEES STRIKE. ON FRIDAY, SOME BANKS IN LEON WERE CLOSED DUE TO VIOLENCE. EARLY INDICATIONS OF A WITHDRAWAL OF DEPOSITS BY SMALL SAVERS--PRESUMABLY FOR "MATTRESS" MONEY--FURTHER CONFIRM REPORTS THAT DAY-TO-DAY LIQUIDITY IS A PROBLEM. PRIVATE SECTOR ANTIPATHY TOWARD USG IS BEGINNING TO BE NOTED--SIMILAR TO WHAT OCCURRED IN FEBRUARY.

5. POLITICAL: POLOFF HAS BEEN INFORMED THAT PCN WILL NOT PARTICIPATE IN CONGRESS DURING THE STRIKE. OTHER INDICATIONS OF OPPOSITION UNWILLINGNESS TO PURSUE NEGOTIATED SETTLEMENT WITHOUT USG GUARANTEES CONTINUE TO BE NOTED. INTERESTINGLY, AT LEAST ONE RESPECTED OPPOSITIONIST ENTERTAINS SCENARIO CALLING FOR SOMOZA'S REPLACEMENT BY GN JUNTA WITH GON DAY-TO-DAY AFFAIRS RUN BY TECHNOCRATS AND NO POLITICIANS INVOLVED IN GON.

6. OTHER: AS SITREP PREPARED, EMB RECEIVED REPORTS FROM PCV'S INDICATING THAT VIRTUALLY ALL COMMERCE CLOSED IN LEON. AMERICANS IN MATAGALPA REPORT MORE STREET SHOOTING THAN PREVIOUSLY- WITH ONE REPORTED DEATH. IN ESTELI, OTHER AMERICANS REPORT AN EXTREMELY TENSE SITUATION, ADDING THAT THE PAN AMERICAN HIGHWAY WAS BLOCKED YESTERDAY AND SEVERAL CARS BURNED. ONE UNCONFIRMED REPORT IS THAT THE GN HEAD-QUARTERS IN ESTELI HAS BEEN TAKEN BY UNIDENTIFIED ATTACKERS. IN CONDAGA, NIGHTLY COMMUNITY MEETINGS ARE BEING HELD.

7. COMMENT: CLEARLY, MANAGUA HAS THUS FAR BEEN SPARED THE BRUNT OF THE STRIKE'S EFFECGS. WHILE MOST DISTRUBANC REPORTS LACK CONFIRMATION A TENSE SITUATION IS DEVELOPING. FINANCIALLY, CONFIDENTIAL

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THE PRECARIOUS BALANCE OF THE COUNTRY'S LIQUIDITY IS WORRISOM. THE CHAMBER OF COMMERCE HAS REQUESTED ALLM MEDIA TO NOT ACCEPT ANY GON ANNOUNCEMENTS RELATING TO THE COLLECTION OF TAXES. ON THE POLITICAL FRON, ALL POLITICAL OPPOSITION IS SUPPORTING STRIKE. EMB DRAWS DEPARTMENT ATTENTION TO DATT IR 6870 0071 78 AND IR 6870 0072 78 IN WHICH THE FIRST SUBSTANTIATED COUP PLOT BY GN ELEMENTS IS REPORTED. POLOT QUASHED WITH ARREST OF 12 OFFICERS (INCLUDING LTC) AND APPROXIMATELY 60 ENLISTED MEM. PLOT ALLEG-EDLY INVOLVED SEIZURE OF PRESIDENTIAL BUNKER AND CAPTURE OR ASSASSINATION OF PRESIDENT, TACHITO AND MAJ. GEN. JOSE R. SOMOZA. SOLAUN

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